



## Memorandum 13/2005

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission  
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### MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Buybacks subject to Buyback Interest

DATE: March 18, 2005

In 2004, the Legislature approved two acts, Chapters 279 and 280 of the Acts of 2004, which will increase the cost of buying certain creditable service. These changes will take effect on July 1, 2005. The following sections are affected by the acts: §§3(2)(a)(vii), 3(3), 3(4), 3(4A), 3(5), 3(6)(c), 3(6)(d) and 3(8)(b). Any buyback or make-up schedules in place prior to July 1, 2005 would not be affected by this change. The methodology to be used under these sections will be similar to the methodology used in years past except that “buyback interest” will be used in the calculation of the repayment amount instead of regular interest. Please note that “buyback interest” is based on one-half of the actuarial assumed interest rate (the investment return assumption) in the most recent actuarial valuation. Also note that the “buyback interest” rate applies for the entire period of the buyback/make-up, not just the period after July 1, 2005.

Any buybacks/make-ups that are calculated under the following sections will continue to use regular interest in the calculation of the repayment amount: §§4(1)(g<sup>1/2</sup>), 4(1)(l), 4(1)(l<sup>1/2</sup>), 4(1)(n), 4(1)(o), 4(1)(o<sup>1/2</sup>), 4(1)(p) and 4(2)(c).

Enclosed are the worksheets to be used in determining the amount of the member’s repayment based on the new legislation. If the interest rate your system uses is not listed, please contact this office for all applicable factors.

We trust the foregoing is of assistance. If you have any questions, do not hesitate to contact this office.